

## INFORMATION SYSTEMS FUND

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**Description:** The Information Systems Fund is one of the Village's two internal service funds. The purpose of this Fund is to account for the revenues and expenses associated with the purchase, installation, and maintenance of information technology and communications hardware and software.

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### ***Fund Structure***

The Information Systems Fund is an internal service fund which means the revenues, expenses, transfers, and changes in net assets are accounted for in accordance with full accrual accounting methods (*please see the Basis of Budgeting section on Pages 30-31 for a more thorough description of modified accrual accounting*). Instead of a Fund Balance, the Information Systems Fund utilizes Net Assets as the indicator of accumulated Fund equity; Net Assets are equal to total assets (including all capital assets) less total liabilities.

Determination of a balanced budget in the Information Systems Fund is based on whether the Fund was able to maintain Net Assets, less capital assets, which are higher than the minimum required for the future replacement of equipment plus three months of operating expenses. The Information Systems Fund includes an equipment replacement component which the Village utilizes to replace information technology software, hardware, and networking equipment. Positive or negative changes in Net Assets in any one particular year are not indicative of the financial results in the Fund as this change may be the result of additions or subtractions from the equipment replacement portion of Net Assets. Additions or subtractions to the equipment replacement portion of Net Assets are dependent on the amount and cost of the equipment to be purchased in one year offset by Interfund Charges revenue received for equipment replacement.

### ***Analysis of Revenues and Expenses***

The 2005 Budget includes \$316,272 in estimated revenues for the Information Systems Fund, a decrease of \$46,573 (12.84%) from the 2004 revenue estimate of \$362,845 and a decrease of \$53,648 (14.79%) from the projected 2004 actual revenues of \$369,920. The 2006 Budget includes \$265,330 in total revenues for the Fund, a decrease of \$50,942 (16.11%) from the 2005 revenue estimate.

- Charges for Services revenue is estimated to decrease \$34,500 (75.00%), from \$46,000 in 2004 (projected actual) to \$11,500 in 2005. In 2006, Charges for Services are projected to decrease a further \$4,000 to \$7,500. The decrease in 2005 is the result of a reduction in revenues from the Barrington Countryside Fire Protection District. In 2004, several large purchases for the Fire Department occurred, including Mobile Data Terminals (MDTs) for Department vehicles as well as hardware and software for the new Station Three. The cost of these expenses is shared by the Village and District and revenues in 2004 are reflective of the District reimbursement to the Village for its portion of these expenses. In 2005 and 2006, a moderate amount of expenses for Fire Department software, hardware, and network equipment is expected and therefore revenues are reduced.
- Interfund Charges revenue is estimated at \$288,522 in 2005, a decrease of \$29,148 (9.18%) from the 2004 revenue of \$317,670 (projected actual). In 2006, Interfund Charges are estimated to decline an additional \$46,942 to a total of \$241,580. The decrease in 2005 is the result of a decrease in the amount needed for future equipment replacement. This decrease is the result of declines in the cost of information technology related hardware and networking equipment. A second reason for the decrease in the equipment replacement transfer is that much of the hardware, software, and networking equipment is continuing to be used (*because it is in good condition*) past the point where it had been expected to be replaced. This has the effect of reducing the amount that must be transferred because certain items have accumulated the full amount needed to replace them when it becomes necessary. In 2006, the decrease in the amount to be transferred is the result of a one time 50% reduction in the equipment replacement transfer to assist in balancing the budget in the General Fund and in the Enterprise Funds.

- Investment Income is expected to increase \$6,250 (62.50%) in 2005, from \$10,000 in 2004 (projected actual) to \$16,250 in 2005. In 2006, this revenue source is expected to remain stable at \$16,250. The increase in 2005 is expected to occur because interest rates are projected to continue increasing, thereby producing additional investment income from purchases of Federal Agency Bonds and Certificates of Deposit. The increase in interest rates will also have a positive effect on the Village's return from its money market account (*the Illinois Funds Account managed by the State of Illinois Treasury*).

The 2005 Budget includes \$420,439 in budgeted expenses for Information Systems, an increase of \$49,406 (13.32%) from the 2004 Budget of \$371,033 and an increase of \$127,225 (43.39%) from the projected 2004 actual of \$293,214. The 2006 Budget includes \$351,773 in total expenses for the Fund, a decrease of \$68,666 (16.33%) from 2005 budgeted expenses. The increase in 2005 is the result of an increase in Personnel Services, Operating Expenses, and Other expenses. The cost for Personnel Services is higher because of an increase in salaries and fringe benefits. The increase in Operating Expenses is caused by higher maintenance costs for equipment and the increase in Other Expenses is caused by an increase in Equipment Purchases in 2005. The decrease in 2006 is the result of a decline in Other Expenses as the budget for equipment purchases is reduced in 2006 (*please see the Administrative Services Department Budget Summary on Pages 150-166 for a summary of the Information Systems Division and the equipment to be purchased*).

### ***Changes in Net Assets***

Net Assets will decrease \$104,167 (12.39%) in 2005 to a total of \$736,297. In 2006, Net Assets will decrease an additional \$86,444 (11.74%) to a total of \$649,853. However, despite these decreases the budget is considered balanced because Net Assets needed for future equipment replacements plus three months Operating Expenses are equal to \$583,932 in 2005 and \$562,999 in 2006. Net Assets are in excess of the minimum requirement by \$156,365 in 2005 and 90,854 in 2006.

	<u>FY 2005</u>	<u>FY 2006</u>
Ending Net Assets	\$740,297	\$653,853
Minimum Net Assets Required for Future Equipment Replacement plus Three Months Operating Expenses	583,932	562,999
Net Assets in Excess of Minimum Requirements	\$156,365	\$90,854

**Information Systems Fund**  
**Summary of Revenues, Expenses, Transfers, and Changes in Net Assets**  
**Fiscal Year 2002 Actual through Fiscal Year 2006 Budget**

	<b>FY 2002 <u>Actual</u></b>	<b>FY 2003 <u>Actual</u></b>	<b>FY 2004 <u>Amended Budget</u></b>	<b>FY 2004 <u>Projected Actual</u></b>	<b>FY 2005 <u>Approved Budget</u></b>	<b>FY 2006 <u>Approved Budget</u></b>
<b>Beginning Total Net Assets<sup>(1)</sup></b>	<b>\$ 481,813</b>	<b>\$ 618,664</b>	<b>\$ 763,758</b>	<b>\$ 763,758</b>	<b>\$ 840,464</b>	<b>\$ 736,297</b>
<i><b>Operating Revenues</b></i>						
Charges for Services	18,420	8,555	5,175	46,000	11,500	7,500
Interfund Charges	287,799	264,063	347,670	317,670	288,522	241,580
<b>Total Revenues</b>	<b>306,219</b>	<b>272,618</b>	<b>352,845</b>	<b>363,670</b>	<b>300,022</b>	<b>249,080</b>
<i><b>Operating Expenses</b></i>						
Administrative Services	198,661	133,474	371,033	293,214	420,439	351,773
<b>Total Operating Expenses</b>	<b>198,661</b>	<b>133,474</b>	<b>371,033</b>	<b>293,214</b>	<b>420,439</b>	<b>351,773</b>
<b>Operating Income (Loss)</b>	<b>107,558</b>	<b>139,144</b>	<b>(18,188)</b>	<b>70,456</b>	<b>(120,417)</b>	<b>(102,693)</b>
<i><b>Non-Operating Revenues (Expenses)</b></i>						
Investment Income	6,520	5,950	10,000	6,250	16,250	16,250
<b>Total Non-Operating Revenues (Expenses)</b>	<b>6,520</b>	<b>5,950</b>	<b>10,000</b>	<b>6,250</b>	<b>16,250</b>	<b>16,250</b>
<b>Change in Net Assets</b>	<b>114,078</b>	<b>145,094</b>	<b>(8,188)</b>	<b>76,706</b>	<b>(104,167)</b>	<b>(86,443)</b>
<b>Ending Net Assets<sup>(2)</sup></b>	<b>595,891</b>	<b>763,758</b>	<b>755,570</b>	<b>840,464</b>	<b>736,297</b>	<b>649,853</b>

**Notes**

(1) Net Assets equal Total Assets less Total Liabilities

(2) Minimum Ending Net Assets established for the Information Systems Fund are equivalent to future equipment replacement needs plus three months of operating expenses. The minimum amounts for 2005 and 2006 equal:

	<b>FY 2005</b>	<b>FY 2006</b>
Future Equipment Replacement	\$ 536,471	\$ 514,281
Three Months Operating Expenses	47,461	48,718
<b>Total Minimum Fund Balance</b>	<b>\$ 583,932</b>	<b>\$ 562,999</b>

According to Village Policy, the Budget is considered balanced if the Ending Net Assets for the Fund are higher than the minimum required Fund Balance